

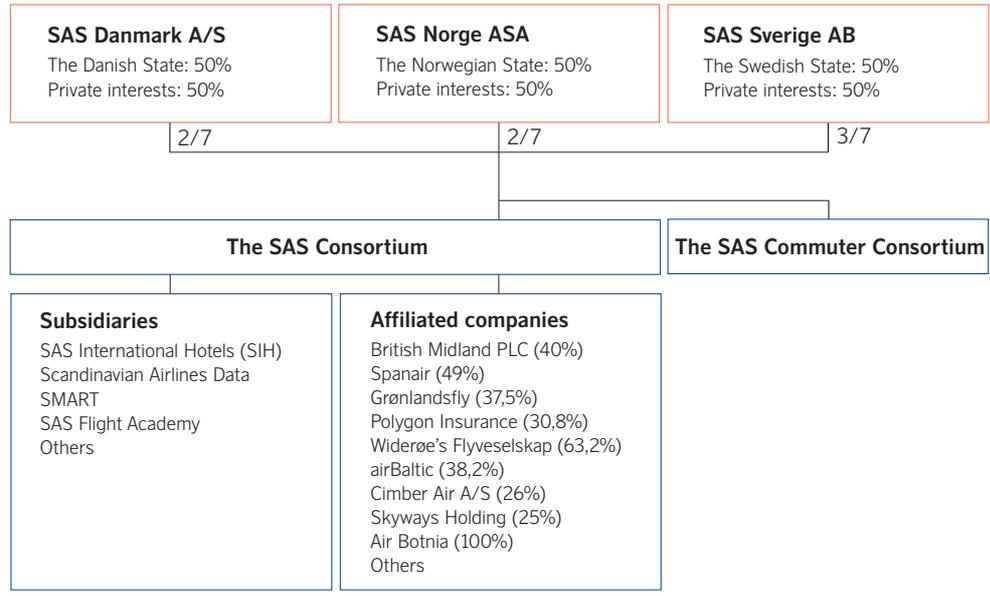


Interim Report 3:1999 January-September

The SAS Group

SAS Danmark A/S • SAS Norge ASA • SAS Sverige AB

Corporate Structure



- **SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB** are the parent companies whose shares are listed on the stock exchanges in Copenhagen, Oslo and Stockholm, respectively.
- **The SAS Consortium** comprises passenger transport services, SAS Cargo (freight) and SAS Trading (trade with goods on board aircraft and at airports).
- **The SAS Commuter Consortium** is a production company which conducts flights for SAS in Scandinavia and northern Europe.

Operating Areas



- **The SAS Group** comprises the SAS Consortium including wholly or partly owned subsidiaries and affiliated companies. The financial statements of the SAS Group and its two operating areas are prepared in accordance with the recommendations of the International Accounting Standards Committee (IASC). Subsidiaries owned more than 50% are consolidated in the SAS Group. Affiliates owned between 20 and 50% are reported according to the equity method.
- **SAS** comprises the SAS Consortium with subsidiaries and affiliated companies, excluding SAS International Hotels, as well as the SAS Commuter Consortium with subsidiaries.
- **SAS International Hotels** comprises its wholly and partly owned subsidiaries, and affiliated companies.

The SAS Group

SAS Danmark A/S

SAS Norge ASA

SAS Sverige AB

Highlights of the Interim Report as per September 30, 1999

- **The SAS Group's operating** revenue increased by 1.9% to MSEK 30,612.
- **The SAS Group's income** before taxes was MSEK 575 (2,465). Over capacity in the market with declining unit revenue is the major reason for this decrease in income. Income for the third quarter was MSEK 102 (1,015).
- **Passenger traffic (RPK)** increased by 1.4%. Traffic in Business Class decreased by 5% while Economy Class increased by 4%. The number of passengers increased by 2.4%.
- **SAS continues** to take measures to improve productivity and to adapt its capacity to meet present market demands.
- **Cash flow** from operations amounted to MSEK 1,251 (3,110).
- **Capital gains** on sales of shares and other fixed assets amounted to MSEK 610 (837).
- **Earnings per share** amounted to SEK 3.20 (10.11) for Danmark A/S, SEK 2.98 (10.77) for SAS Norge ASA and SEK 3.19 (11.11) for SAS Sverige AB.
- **SAS's parent companies report income after taxes** as follows:

SAS Danmark A/S	MDKK	126	(407)
SAS Norge ASA	MNOK	132	(482)
SAS Sverige AB	MSEK	225	(783)
- **Trading conditions in the third quarter**, as reported monthly, have, in general, been less favorable than previously expected. Consequently, the full year result, excluding gains from the sale of shares and assets, is now deemed to be only marginally positive.

The interim report has not been reviewed by the company's auditors.

Important Events during the Recent Three Quarters

Third Quarter 1999

- SAS International Hotels (SIH) have sold all of their shares in Radisson SAS Portman Hotel in London. SIH will operate the hotel in the future on the basis of a long-term management contract.

Second Quarter 1999

- SAS Cargo is chosen "Cargo Airline of the Year".
- SAS and Singapore Airlines form a strategic alliance.
- Air New Zealand and Ansett Australia join Star Alliance.
- The program of change, SAS 2000+, is launched to SAS's customers on May 7.
- SAS orders a further five deHavilland Q400's.

First Quarter 1999

- SAS experiences continued disruptions in the wake of "Airspace 98", as well as running in problems at Gardermoen at the beginning of 1999.
- SAS sells 30% of its share in the data network provider Equant N.V.
- SAS International Hotels sells its hotel property in Amsterdam.
- SAS, Lufthansa and Singapore Airlines sign a Memorandum of Understanding, agreeing that the three companies investigate, during the coming year, possibilities for extended cooperation on the international air freight market.
- SAS EuroBonus wins the Freddie Award for the third time.
- SAS is named winner of the 1998 Mercury Award in competition with 250 participants within the airline and catering industries.

Important Events after September 30, 1999

- All Nippon Airways joins Star Alliance – Singapore Airlines confirms plans to also join.
- SAS sells 50% of its ownership stake in British Midland to Lufthansa. British Midland joins Star Alliance.
- SAS and Icelandair introduce code sharing on trans-Atlantic routes
- Star Alliance approves Austrian Airlines' application.
- Braathens Malmö Aviation will discontinue all of its domestic routes from Arlanda at the end of November and will, thereafter, concentrate its operations to Bromma.

The SAS Group

Market and Competition

Strong competition and intense price pressure characterize the market for air travel. Market growth for the industry has, during the year, been less than the increase in capacity. In Europe this development has been notably strengthened during the third quarter in spite of a generally favorable economic situation. The diminished passenger load factor, which is due to over capacity combined with a decreased share of business travel, resulting in an increased share of Economy Class travel, negatively affects both revenue and expenses. The air travel industry's results have been weakened and in order to counteract this negative income development, the industry is undergoing a change characterized by structural and rationalization measures. An increasingly important competitive edge in the air travel market is the ability to offer passengers a global and coordinated traffic system. This is being done through alliances and cooperation agreements between the various airline companies. Since 1997, SAS is a member of Star Alliance, which today is the world's largest airline alliance and is expanding rapidly.

Financial Development

Currency Effects

Income for the period January-September is affected by a negative currency effect of MSEK 77. The equivalent effect for the third quarter was MSEK 84. SAS's operating revenue was positively affected and costs negatively affected by, primarily, a weaker Swedish krona, compared to the previous year. The negative development during the third quarter is partly an effect of the strengthened Danish krona vis á vis the operational currencies currently in surplus and partly an effect of the strong development of the Japanese yen.

Third Quarter

Operating income during the third quarter decreased notably in comparison with the same period last year. Operating income before depreciation amounted to MSEK 566 (1,067). During the third quarter the Portman Hotel in London was sold, with a capital gain of MSEK 134. In addition, capital gains totaling MSEK 43 have occurred in conjunction with the sale and leaseback of one Boeing 737-600 and the sale of two SAAB 340's. Income before taxes amounted to MSEK 102 (1,015).

January-September

The SAS Group's operating revenue increased by MSEK 575 or 1.9%. SAS passenger traffic measured in RPK, revenue passenger kilometer, increased by 1.4%, com-

pared with 1998. The number of passengers was 2.4% greater than for the same period last year. Unit revenue, yield, decreased by 0.4%. Excluding currency effects the yield decreased by 2.4%.

Operating expenses increased by MSEK 2,253 or 8.5%. Excluding currency effects the increase was 6.3%. Operating income before depreciation decreased by MSEK 1,678. The gross profit margin decreased from 11.0% to 5.3%.

Depreciation decreased by MSEK 126 to MSEK 1,462. This change is a net of reduced depreciation, due to altered depreciation plans for aircraft from January 1, 1999 affecting income by MSEK 300, and the depreciation of new investments.

Shares of income in affiliated companies amounted to MSEK -31 (-21). All of the affiliated companies showed a positive development except for Air Botnia, due to significant start-up costs. Depreciation of goodwill is included and totals MSEK 32 (35).

The shares in SAS Hotels N.V. were sold in March 1999 with a capital gain of MSEK 152. In August the Portman Hotel in London was sold.

During the period one Fokker F-28 and two SAAB 340's were sold and sale and leaseback transactions completed for two Boeing 737-600's. Capital gains totaled MSEK 103. Capital gains from sales of aircraft for the previous year were MSEK 837.

SAS has shares in the SITA Foundation which in its turn owns shares in the data network provider Equant N.V. Thirty percent of SAS's holdings were sold during February, resulting in a capital gain of MSEK 221.

The SAS Group's net financial items amounted to MSEK -168 (-67). Net interest was MSEK -147 (-50), due primarily to a higher net debt, MSEK 5,322 (1,761). The five-year interest rate increased during the third quarter. A large share of the SAS Group's net debt is, however, on a fixed interest rate basis, where interest rates were fixed prior to this period.

During the third quarter the Japanese yen developed strongly which has resulted in a negative currency effect. The SAS Group's accumulated currency effect on net financial items amounted, therefore, on September 30, to MSEK -23 (9). Income before taxes was MSEK 575 (2,465).

SAS share of the surplus funding in SPP

SPP has informed the SAS Group that the SAS Group's share of the surplus funding, which will now be allocated to client company accounts, amounts to MSEK 2,900. The SAS Group's accounting of pension commitments

follows, since 1996, International Accounting Standards, in which accounting takes consideration of the surpluses and deficits of pension commitments, irregardless of how the pension plan is financed. This is also in line with the recommendations of the Swedish Financial Accounting Standards Council.

Investments

The SAS Group's investments, including prepayments, amounted to MSEK 4,238 (3,487) during the period. Of these total investments, the airline operations were responsible for MSEK 4,137 (3,144) and SAS International Hotels for MSEK 101 (343). Investments in aircraft and other aircraft material amounted to MSEK 3,410 (1,743). The investment in seventeen Boeing 737-600's is included in this amount.

At the end of September 1999 the value of firm orders for aircraft amounted to MUS\$ 1,200. One deHavilland Q400 and four Boeing 737's are expected to be delivered during the fourth quarter of 1999 and approximately twenty of each aircraft type during the year 2000.

Due to delays, only one deHavilland Q400 will be delivered during 1999, compared with the six which had been planned to be delivered.

Planned Investments in Aircraft During the Current Year and the Year 2000

	October-December 1999	2000
MUS\$	120	900
Number of aircraft	5	39

Other investments usually amount to MSEK 800-900 on a yearly basis.

Financial Position

The SAS Group's liquid assets amounted to MSEK 5,760 (7,443) at September 30, 1999.

Liquid assets are purposely reduced to a level of between MSEK 5,000-6,000.

Cash flow from operations during the period amounted to MSEK 1,251 (3,110). The net of investments and sale of fixed assets amounted to MSEK -2,370 (-1,582). There was a financing deficit for the period of MSEK -3,247 (-438).

The equity/assets ratio at September 30 was 40% (44%) and the debt/equity ratio was 0.3 (0.1).

Net debt amounted to MSEK 5,322, which is MSEK 3,243 greater than at the beginning of the year.

The surplus value of the SAS aircraft fleet amounted to approximately MSEK 4,500 as per September 30.

Personnel

The average number of personnel in the SAS Group during the period was 27,589 (25,422), of whom 24,494 (22,468) at SAS and 3,057 (2,918) at SAS International Hotels.

SAS

Airline Operations

Market and Competition

Traffic in Business Class decreased during the first nine months of the year. Capacity utilization has declined as a result of the fact that production has increased more than traffic. A number of competitors in the international markets have expanded their range of destinations to include Scandinavia which has meant that SAS has, on a total basis, lost market shares for traffic to and from Scandinavia. An exception is North America and London, where SAS has been able to maintain or strengthen its position.

SAS passenger traffic has increased by 1.4% compared with January-September during the previous year. Traffic decreased by 3.0% for the period July-September. SAS has during recent years invested in part ownerships of regional partners in order to strengthen its position in its home market. SAS's regional partners increased their traffic during January-September, expressed in RPK, by approximately 28%. SAS's European partners outside Star Alliance increased traffic by approximately 27%. The total growth in traffic for SAS and these partners was approximately 8%.

Traffic in Business Class has developed negatively during the period and was 5% lower than during the same period in 1998. This is a general trend and the diminished demand is due to changes in the general economic situation and altered travel patterns. The Business Class share decreased by 2 percentage points to 28.3% of total RPK.

Traffic in Economy Class increased by 4%. The change in customer mix, in combination with price pressure in both price segments, is the major reason that unit revenue, excluding currency effects, decreased by 2.4%.

The intercontinental traffic increased by 1.3% compared with the previous year. Business Class traffic decreased by 7% while Economy Class increased by 3%. The range of direct flights offered between Scandinavia and North America has increased during the year. SAS has experienced growth only in Economy Class and with a declining yield. The traffic to Tokyo has developed positively during the third quarter. The cabin factor on the intercontinental routes is, on the other hand, high, 74.9% (79.3%) and was during the third quarter slightly more than 80%.

During the nine-month period, air travel increased within the Association of European Airlines, AEA, within Europe by 4%. SAS traffic in Europe, including intra-Scandinavian traffic, was unchanged compared with 1998. The total growth in traffic to and from Scandinavia has been significantly weaker than the growth within the European market.

The European routes decreased by 0.9%. Economy Class increased by 3% and Business Class traffic declined by 9%. The cabin factor was 0.5 percentage points lower than during the same period last year. Traffic to Finland and Great Britain developed most positively.

Traffic, Production and Yield

		July-Sept. 1999	July-Sept. 1998	Change	Jan.-Sept. 1999	Jan.-Sept. 1998	Change
SAS Total							
Number of Passengers	(000)	5,589	5,705	-2.0%	16,455	16,068	+2.4%
Revenue Passenger Kilometers (RPK)	(mill)	5,667	5,843	-3.0%	15,950	15,732	+1.4%
Available Seat Kilometers (ASK)	(mill)	8,450	8,283	+2.0%	24,978	23,589	+5.9%
Cabin factor		67.1%	70.5%	-3.5 p.u	63.9%	66.7%	-2.8 p.u
Yield, adjusted for currency effect				-3.4%			-2.4%
Intercontinental routes							
Number of Passengers	(000)	307	311	-1.2%	847	810	+4.6%
Revenue Passenger Kilometers (RPK)	(mill)	2,089	2,161	-3.3%	5,727	5,655	+1.3%
Available Seat Kilometers (ASK)	(mill)	2,592	2,516	+3.0%	7,641	7,129	+7.2%
Cabin factor		80.6%	85.9%	-5.3 p.u	74.9%	79.3%	-4.4 p.u
Yield, adjusted for currency effect				-0.3%			-5.5%
European routes							
Number of Passengers	(000)	1,882	1,998	-5.8%	5,392	5,479	-1.6%
Revenue Passenger Kilometers (RPK)	(mill)	1,924	2,017	-4.6%	5,448	5,496	-0.9%
Available Seat Kilometers (ASK)	(mill)	3,135	3,241	-3.3%	9,163	9,167	-0.0%
Cabin factor		61.4%	62.2%	-0.9 p.u	59.4%	60.0%	-0.5 p.u
Yield, adjusted for currency effect				-4.5%			-3.5%
Intra-Scandinavian routes							
Number of Passengers	(000)	1,069	1,125	-5.0%	3,199	3,119	+2.6%
Revenue Passenger Kilometers (RPK)	(mill)	465	486	-4.3%	1,368	1,314	+4.1%
Available Seat Kilometers (ASK)	(mill)	784	775	+1.2%	2,388	2,180	+9.5%
Cabin factor		59.3%	62.8%	-3.5 p.u	57.3%	60.3%	-3.0 p.u
Yield, adjusted for currency effect				+0.1%			+0.6%
Danish domestic							
Number of Passengers	(000)	243	284	-14.4%	782	858	-8.9%
Revenue Passenger Kilometers (RPK)	(mill)	114	133	-14.5%	301	332	-9.3%
Available Seat Kilometers (ASK)	(mill)	172	195	-12.0%	471	521	-9.5%
Cabin factor		66.4%	68.4%	-2.0 p.u	63.9%	63.7%	+0.2 p.u
Yield, adjusted for currency effect				+1.2%			+0.1%
Norwegian domestic							
Number of Passengers	(000)	1,009	971	+4.0%	2,824	2,724	+3.7%
Revenue Passenger Kilometers (RPK)	(mill)	553	552	+0.2%	1,481	1,461	+1.4%
Available Seat Kilometers (ASK)	(mill)	980	815	+20.3%	2,788	2,262	+23.3%
Cabin factor		56.4%	67.8%	-11.3 p.u	53.1%	64.6%	-11.5 p.u
Yield, adjusted for currency effect				-6.1%			-5.1%
Swedish domestic							
Number of Passengers	(000)	1,078	1,017	+6.0%	3,412	3,078	+10.8%
Revenue Passenger Kilometers (RPK)	(mill)	521	494	+5.5%	1,625	1,474	+10.3%
Available Seat Kilometers (ASK)	(mill)	787	742	+6.1%	2,526	2,330	+8.4%
Cabin factor		66.2%	66.6%	-0.3 p.u	64.4%	63.3%	+1.1 p.u
Yield, adjusted for currency effect				+2.1%			-1.7%

The joint venture agreement between SAS and Lufthansa involves all traffic between Scandinavia and Germany. The traffic increased during the period by 6% and production by 11%.

The intra-Scandinavian traffic increased by 4.1%. Business Class traffic was unchanged and Economy Class grew by 8%. The passenger load factor decreased by 3 percentage points compared with the previous year. Stockholm-Copenhagen developed positively both in the local markets and as regards transfer traffic.

On the Swedish domestic market, SAS and its partners increased their market share by 5 percentage points to 67%. The total market increased by 5% and SAS traffic by 10.3%, compared to the previous year. The increase in Business Class was 7% and in Economy Class 14%.

The Norwegian domestic market has increased by 6.8%, but there is a continued significant over capacity. Color Air discontinued its operations at the end of September and both SAS and Braathens have advised that they will make capacity reductions. SAS will, from the middle of November, reduce its production in the Norwegian domestic market by approximately 5%. During the period, Business Class traffic decreased by 10% while Economy Class increased by 8%.

Danish domestic traffic diminished in both price segments and traffic decreased, on a total basis, by 9.3% compared with the previous year. After implemented capacity reductions, the Danish domestic traffic has stabilized with a cabin factor of approximately 64%.

SAS's production, ASK, during the nine-month period increased by 5.9% and the cabin factor was 63.9% (66.7). Production increased during the third quarter, compared with the previous year, by 2.0%.

The number of passengers for the nine months was 16.5 million (16.1). The number of members in SAS Eurobonus increased in comparison with the same period last year by 18% to 1.7 million.

Freight Operations

Freight revenues for the period January-September amounted to MSEK 1,667 (1,599). This represents an increase of 4% compared with the previous year. Flown tonnage was 1% greater than in 1998.

The markets in Japan and the Far East are improving again and SAS Cargo is experiencing strong demand. The American market is, however, still a little negative and there is very significant price competition.

Integration with Lufthansa's sales in Scandinavia and Europe continues according to plan.

Income Trend

Operating income before depreciation during the third quarter amounted to MSEK 447 (937). Capacity utilization in the traffic system has, compared with the third quarter 1998, decreased by 3.5 percentage points and yield has deteriorated by 3.4%.

Operating income before depreciation amounted to

MSEK 1,323 (2,956) during January-September, a decrease by 55%.

Unit cost, as compared with the third quarter 1998, decreased, excluding currency effects, by 0.8%. Unit costs for the period January-September increased by 0.4%.

Total operating expenses increased during January-September by MSEK 2,050 or 8.2%. Excluding currency effects the increase was 5.6%. Payroll expenses increased by 11.8% compared with the previous year, of which 1.9% were currency effects.

The average number of employees increased by 9.0%.

Oil prices have continued to be favorable during the period. SAS's jet fuel expenses are, considering volume and currency effects, 12% lower than for the same period last year, which has had a positive effect on unit cost by 1%. SAS's policy regarding price-fixing of future jet fuel deliveries implies that 40-60% of the twelve-month rolling fuel consumption has a fixed price.

Decreased selling expenses in the form of changed agent commissions compared with 1998, have reduced unit costs by 1.9%

The refunding of environmental charges from 1995 positively affected government-user fees by MSEK 140, which gave a positive unit cost effect by 0.6%.

Other operating expenses increased by 5.3%. These include costs for SAS 2000+, a program, which was launched in May 1999 and includes, amongst other things, the new design and a new service concept.

Expenses for aircraft leasing increased by 31% due to sale and leaseback transactions.

SAS has signed an agreement for the phasing-out of seven Fokker F28's, of which one was sold in March. During the period eighteen Boeing 737-600's were put into operation, of which six during the third quarter.

Income before taxes was MSEK 158 (2,274).

Improvement Program

Work with the improvement program (VFP) for improved profitability 1999-2001, which was begun at the beginning of the year, has been intensified during the reporting period. SAS's management and labor unions agreed, in August, to strengthen control, coordination and follow-up of all of the projects within VFP. Of the stated goal, that by the end of 2000 the company will have decreased cost levels by SEK 3 billion, a total of SEK 2.4 billion in cost reduction measures has, to date, been identified and such measures are now underway. The measures to be taken now are aimed primarily at increasing productivity, but also include the areas of distribution and improved suppliers' agreements.

It has been decided to increase agent commissions from January 1 next year. One of the major goals in SAS's distribution strategy is to increase sales and, therefore, all distribution channels must be utilized. The agents represent the most developed distribution channel and a strengthened cooperation is, therefore, important to SAS.

There is a continued need for efficiency and quality

improvement measures. The improvement program is one step towards improved profitability and SAS will, in addition to this program, continue to work to increase its capabilities to effectively meet competition. Against the background of the current restructuring in the industry, towards larger and more efficient units, SAS must also continually analyze and evaluate alternative structural changes for various parts of its operations.

SAS and Year 2000

The modification of existing data systems and hardware which register calendar time and express the years with only two figures, were at the end of September verified to 90%.

The integration tests include tests with other systems outside the SAS network. The few, remaining and final integration tests of noncritical systems, are expected to be completed before the middle of November, 1999.

The areas of suppliers, aircraft components, information, buildings and insurance are completed.

Airports and ATC, which on behalf of the airline industry are followed up by IATA, are not yet secured for all destinations. This shall be completed before November 30, 1999.

Contingency plans for external disruptions are being developed and resources allocated on an on-going basis.

The preparations for year 2000 have been carried out together with SAS's partners within Star Alliance, regional and traffic-system partners, the civil aviation authorities in Scandinavia, the aviation industry and various aviation organizations, such as IATA (International Air Transport Association), ICAO (International Civil Aviation Organization) and AEA (Association of European Airlines).

SAS's year 2000 project, except for the contingency planning, is expected to be completed by mid-November 1999. As of today, there is no indication that SAS will

cancel any flights to or over any region due to the change into year 2000. SAS, due to the lack of bookings, will not have any commercial flight operations at midnight on December 31, 1999.

SAS International Hotels (SIH)

The hotel market has continued to develop positively in Europe and the Middle East during the first nine months of the year. This is especially true for Sweden, Denmark, Finland, Germany, the Benelux countries and France. Developments in Norway and England have been less positive.

Revenues for the period amounted to MSEK 2,160 (1,979), an increase of 9%. This increase compared with the previous year can be attributed to the fact that there are more hotels and also, primarily, to the results of the new airport hotels at Gardermoen and Manchester. Revenues, adjusted for the new hotels, as well as for the hotels which have been sold, increased by approximately 2%.

During the period 15 hotels have been opened and/or taken over and are now included in the RSH-chain. Management or license agreements have been established for a further 15 hotels during the period, of which four have already joined the chain. Amongst other things, a joint venture has been established for the operation of hotels in South Africa. The first hotel will be opened in Cape Town.

Larger investments during recent years, primarily as regards the property in Manchester, have had a negative effect upon income during the first three quarters of 1999.

Hotels in Amsterdam and London have been sold during the period, which generated a capital gain of MSEK 286. RSH will continue to be responsible for the operations of these hotels via a management agreement.

Income before taxes amounted to MSEK 420 (185).

Statement of Income (SIH)

	July-Sept. 1999	July-Sept. 1998	Jan.-Sept. 1999	Jan.-Sept. 1998	Oct.-Sept. 1998-99	Oct.-Sept. 1997-98
(MSEK)						
Rooms revenue	376	377	1,129	1,046	1,511	1,372
Food and beverage revenue	211	208	709	649	1,038	942
Other revenue	112	101	322	285	421	375
Total	699	686	2,160	1,979	2,969	2,689
Operating expenses	-485	-461	-1,508	-1,342	-2,069	-1,839
Rental expenses, insurance of properties and property tax	-103	-97	-347	-296	-474	-409
Operating income before depreciation	111	129	305	342	427	441
Depreciation	-45	-37	-144	-103	-190	-134
Share of income in affiliated companies	6	5	19	11	23	15
Income from the sale of shares in subsidiaries	133	0	286	0	287	0
Net financial items	-16	-28	-46	-64	-78	-81
Income before taxes	191	69	420	185	468	240
		September 30		December 31		September 30
		1999		1998		1998
EBITDA		324		478		352
Return on capital employed (ROCE)*)		11.5%		14.5%		14.6%
Revenue per available room (REVPAR)		647		644		649
Gross profit margin		30.2%		31.8%		32.2%

*) 12 month rolling.

Forecast for the full year 1999

There is a continued low growth in demand on the majority of markets and the development in Business Class is still weak.

Although there are positive indications regarding macroeconomic factors in most markets, the competition in the airline industry, with overcapacity and price pressure, implies, however, significant uncertainty as regards revenue development.

As previously indicated for the first half year 1999, the unit cost level for the full year is not expected to exceed that of 1998.

Trading conditions in the third quarter, as reported monthly, have, in general, been less favorable than previously expected. Consequently, the full year result, excluding gains from the sale of shares and assets, is now deemed to be only marginally positive.

Stockholm, November 11, 1999
SCANDINAVIAN AIRLINES SYSTEM

Jan Stenberg
President and Chief Executive Officer

The SAS Group

Summary Statement of Income

(MSEK)	July-Sept. 1999	July-Sept. 1998	Jan.-Sept. 1999	Jan.-Sept. 1998	Oct.-Sept. 1998-99	Oct.-Sept. 1997-98
Operating revenue	9,877	10,245	30,612	30,037	41,521	40,233
Payroll expenses	-3,427	-3,231	-10,586	-9,485	-14,181	-12,461
Other operating expenses	-5,884	-5,947	-18,400	-17,248	-24,903	-23,472
Operating income before depreciation	566	1,067	1,626	3,304	2,437	4,300
Depreciation	-519	-522	-1,462	-1,588	-1,999	-2,079
Share of income in affiliated companies	-26	-28	-31	-21	-58	-6
Income from sale of shares in subsidiaries and affiliated companies	134	0	286	0	287	-1
Income from the sale of aircraft and buildings	43	538	103	837	280	850
Operating income	198	1,055	522	2,532	947	3,064
Income from sale of other shares and participations	0	0	221	0	222	0
Net financial items	-96	-40	-168	-67	-230	-121
Income before taxes	102	1,015	575	2,465	939	2,943

Summary Balance Sheet

(MSEK)	September 30 1999	December 31 1998	September 30 1998
Aircraft and spare parts	13,529	11,339	10,639
Other noninterest-bearing assets	20,204	19,330	19,125
Interest-bearing assets (excl. liquid assets)	2,453	1,769	1,566
Liquid assets	5,760	8,011	7,443
Assets	41,946	40,449	38,773
Shareholders' equity	16,491	16,110	16,732
Minority interests	27	19	21
Subordinated debenture loan	788	854	819
Other interest-bearing liabilities	12,747	11,005	9,951
Operating liabilities	11,893	12,461	11,250
Shareholders' equity and liabilities	41,946	40,449	38,773

Shareholders' equity

January 1, 1999	16,110
Change in translation differences	-100
Income 1999	481
September 30, 1999	16,491

Statement of Changes in Financial Position

(MSEK)	July-Sept. 1999	July-Sept. 1998	Jan.-Sept. 1999	Jan.-Sept. 1998	Oct.-Sept. 1998-99	Oct.-Sept. 1997-98
Income before taxes	102	1 015	575	2,465	939	2,943
Depreciation	519	522	1,462	1,588	1,999	2,079
Income from the sale of fixed assets	-177	-538	-610	-837	-789	-850
Adjustment for items not included in cash flow, etc.	-93	-11	-176	-106	-201	-111
Cash flow from operations	351	988	1,251	3,110	1,948	4,061
Change in working capital	-924	-860	-1 171	-825	-16	207
Net financing from operations	-573	128	80	2,285	1,932	4,268
Investments including prepayments to aircraft suppliers	-1,235	-1,238	-4,238	-3,487	-6,863	-4,868
Sales of fixed assets, etc.	1,012	1,139	1,868	1,905	2,323	1,944
Payment to parent companies	0	0	-957	-1,141	-957	-1,141
Financing deficit	-796	29	-3,247	-438	-3,565	203
External financing, net	1,131	-1,369	996	-1,936	1,882	-2,374
Change in liquid assets according to the balance sheet	335	-1,340	-2,251	-2,374	-1,683	-2,171

Key Figures

(MSEK)	September 30 1999	December 31 1998	September 30 1998
Return on capital employed (12 month rolling)	6%	13%	14%
Return on equity *) (12 month rolling)	4%	13%	14%
Equity/assets ratio	40%	40%	44%
Net debt, MSEK	5,322	2,079	1,761
Debt/equity ratio	0.3	0.1	0.1
Interest coverage ratio (12 month rolling)	2.3	4.7	4.8

*) After standard tax.

Market-based key figures

CFROI (12 month rolling)	16%	22%	23%
ROCE, market-based (12 month rolling)	11%	18%	17%

Income by Operating Area

(MSEK)	July-Sept. 1999	July-Sept. 1998	Jan.-Sept. 1999	Jan.-Sept. 1998	Oct.-Sept. 1998-99	Oct.-Sept. 1997-98
SAS						
Passenger revenue	6,765	7,141	21,151	20,959	28,432	27,867
Freight revenue	580	512	1,667	1,599	2,308	2,231
Other traffic revenue	330	328	787	932	1,262	1,289
Other revenue	1,511	1,594	4,911	4,609	6,626	6,206
Operating revenue	9,186	9,575	28,516	28,099	38,628	37,593
Payroll expenses	-3,172	-2,982	-9,787	-8,755	-13,083	-11,439
Leasing costs	-336	-282	-1,006	-768	-1,297	-993
Selling expenses	-374	-510	-1,226	-1,543	-1,755	-2,066
Jet fuel	-561	-565	-1,581	-1,675	-2,228	-2,279
Government user fees	-882	-912	-2,614	-2,598	-3,574	-3,591
Catering costs	-428	-419	-1,259	-1,165	-1,690	-1,540
Handling costs	-455	-434	-1,382	-1,252	-1,830	-1,640
Technical aircraft maintenance	-480	-397	-1,486	-1,309	-1,909	-1,797
Other operating expenses	-2,051	-2,137	-6,852	-6,078	-9,251	-8,400
Operating expenses	-8,739	-8,638	-27,193	-25,143	-36,617	-33,745
Income before depreciation	447	937	1,323	2,956	2,011	3,848
Depreciation	-474	-485	-1,318	-1,484	-1,808	-1,944
Share of income in affiliated companies	-32	-34	-50	-32	-81	-21
Income from sale of shares in affiliated companies	0	0	0	0	1	0
Income from sale of aircraft and buildings	43	538	103	837	280	850
Income from other shares and participations	0	0	221	0	222	0
Net financial items	-80	-12	-121	-3	-153	-39
SAS – Income before taxes	-96	944	158	2,274	472	2,694
SAS International Hotels	191	69	420	185	468	240
Other operations/Group eliminations	7	2	-3	6	-1	9
Income before taxes	102	1,015	575	2,465	939	2,943

The currency effect between the years relating to operating revenue is MSEK 103 for the third quarter and MSEK 559 for the period January-September. The effect on operating expenses is MSEK -149, respective MSEK -604.

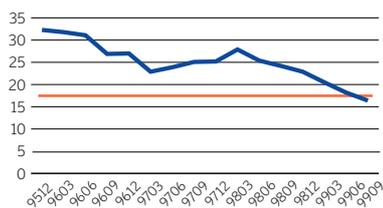
Revenue by Operating Area

(MSEK)	July-Sept. 1999	July-Sept. 1998	Jan.-Sept. 1999	Jan.-Sept. 1998	Oct.-Sept. 1998-99	Oct.-Sept. 1997-98
SAS	9,186	9,575	28,516	28,099	38,628	37,593
SAS International Hotels	699	686	2,161	1,979	2,968	2,689
Other operations/Group eliminations	-8	-16	-65	-41	-75	-49
Total operating revenue	9,877	10,245	30,612	30,037	41,521	40,233

Summary of Income, on Quarterly Basis

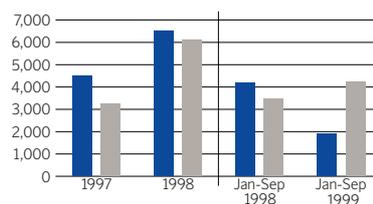
	1997			1998					1999		
	July-Sept.	Oct.-Dec.	Full year Jan.-Dec.	Jan.-March	Apr.-June	July-Sept.	Oct.-Dec.	Full year Jan.-Dec.	Jan.-March	April-June	July-Sept.
Operating revenue	9,743	10,196	38,928	9,469	10,323	10,245	10,909	40,946	9,621	11,114	9,877
Payroll expenses	-2,926	-2,976	-11,739	-3,060	-3,194	-3,231	-3,595	-13,080	-3,469	-3,690	-3,427
Other operating expenses	-5,631	-6,224	-23,071	-5,552	-5,749	-5,947	-6,503	-23,751	-6,058	-6,458	-5,884
Operating income before depreciation	1,186	996	4,118	857	1,380	1,067	811	4,115	94	966	566
Depreciation	-476	-491	-1,880	-536	-530	-522	-537	-2,125	-455	-488	-519
Share of income in affiliated companies	6	15	61	10	-3	-28	-27	-48	3	-8	-26
Income from sale of shares in subsidiaries and affiliated companies	0	-1	1	0	0	0	1	1	150	2	134
Income from the sale of aircraft and buildings	0	13	83	297	2	538	177	1,014	16	44	43
Operating income	716	532	2 383	628	849	1,055	425	2,957	-192	516	198
Income from sale of other shares and participations	0	0	15	0	0	0	1	1	221	0	0
Net financial items	-69	-54	-167	-15	-12	-40	-62	-129	-51	-21	-96
Income before taxes	647	478	2 231	613	837	1,015	364	2,829	-22	495	102

Development of Cash Flow return on Investments, CFROI [%] (12 month rolling)



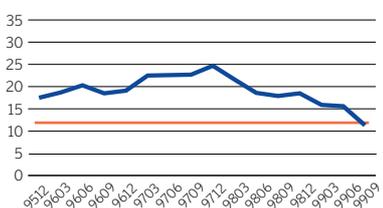
— CFROI — Minimum Requirement

Cash Flow and Investments [MSEK]



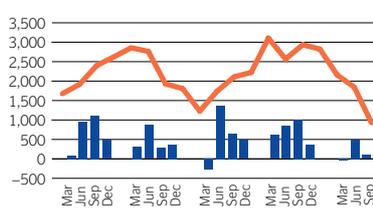
■ Generated Cash Flow incl. Sale of Fixed Assets ■ Investments

Development of Market-based Return on Capital Employed, ROCE [%] (12 month rolling)



— ROCE, Market-based — Minimum Requirement

Income before Taxes [MSEK]



■ Quarterly Income — Moving Annual Trend

SAS Parent Companies

Accounting Principles

SAS Consortium and SAS Commuter Consortium have begun to report according to IAS which implies that subsidiaries and affiliated companies are reported in accordance with the equity method whereby income and shareholders' equity in the SAS Group, on the one hand, and income and shareholders' equity in the SAS Consortium and SAS Commuter Consortium, on the other hand, correspond with each other.

During the previous fiscal year the accounting principles were changed for the Parent Companies to the extent that they now include their respective shares of income and shareholders' equity in the SAS Group in their respective accounts.

Comparative figures in both the statements of income and balance sheets have been adjusted accordingly.

Taxes pertain to both estimated tax payables and to the increase in deferred tax, while negative tax refers to corresponding items earlier reported as tax payables, alternatively tax receivables, the latter to be cleared against taxes on future gains.

Key Figures

	SAS Danmark A/S	SAS Norge ASA	SAS Sverige AB
Earnings per share, local currency	2.68	2.81	3.19
Earnings per share, SEK	3.20	2.98	3.19
Equity per share, local currency	79.28	85.64	92.37
Equity per share, SEK	92.87	90.48	92.37

SAS Danmark A/S

SAS Danmark A/S's share of income in the SAS Group for the period amounted to MDKK 137 (604). SAS Danmark A/S's other operations amounted to MDKK 11 (12). Income before taxes amounted to MDKK 148 (616).

Operations in SAS Danmark A/S include 2/7 of the income of the SAS Group.

The exchange rate as at September 30, 1999 was: SEK 100 = DKK 85.24 (1998: DKK 81,11). The average exchange rate during January-September 1999 was: SEK 100 = DKK 83.88 (1998: DKK 85.74).

Changed accounting principles apply from financial year 1998 for SAS Danmark A/S. The share of value in the SAS Group (2/7) is reported by the company on the basis of the equity method. Comparative figures for 1998 have been adjusted accordingly.

Regarding the forecast for the full year 1999 and matters related to year 2000, refer to information provided by SAS.

Copenhagen, November 11, 1999

Hugo Schröder Jan Stenberg
Chairman of the Board President

Statement of Income

(MDKK)	Jan.-Sept. 1999	Jan.-Sept. 1998
Share of income in the SAS Group *)	137	604
Other operating expenses	-4	-4
Operating income	133	600
Net financial items	15	16
Income before taxes	148	616
Taxes	-22	-209
Income after taxes	126	407

*) Share in SAS Group after subsidiaries' taxes.

Balance Sheet

(MDKK)	Sept. 30 1999	Dec. 31 1998
Fixed assets		
Share in the SAS Group	4,016	3,619
Current assets		
Short-term receivables	555	692
TOTAL ASSETS	4,571	4,311
Share capital	470	470
Premium reserve	411	411
Other reserves	2,845	2,437
Total shareholders' equity	3,726	3,318
Deferred taxes	844	844
Short-term liabilities	1	149
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	4,571	4,311

Shareholders' Equity

(MDKK)	Sept. 30 1999	Dec. 31 1998
Share capital	470	470
Premium reserve	411	411
Other reserves		
January 1, 1999	2,437	2,437
Exch. difference, share of SAS Group	282	-
Transferred from net income for the year	126	-
Total shareholders' equity	3,726	3,318

SAS Norge ASA

Income before taxes amounted to MNOK 154 compared with MNOK 679 for the same period last year.

Operations in SAS Norge ASA include administration and management of the company's 2/7 of the result in the SAS Group.

Items of the statement of income and balance sheet are translated at the average exchange rate for the period January-September 1999; NOK 94.20 for SEK 100 (1998: 95.20) respective closing rate as at September 30, 1999; NOK 94.65 for SEK 100 (1998:93.94).

Changed accounting principles apply for SAS Norge ASA from the beginning of financial year 1998. The share value in the SAS Group (2/7) is reported in the company's accounts according to the equity method. Comparative figures for 1998 have been adjusted accordingly.

Regarding the forecast for the full year 1999 and matters concerning year 2000, refer to information provided by SAS.

Bærum, November 11, 1999

Board of Directors

Statement of Income

(MNOK)	Jan.-Sept. 1999	Jan.-Sept. 1998	Jan.-Dec. 1998
Share of income in the SAS Group *)	154	680	767
Other operating expenses	-2	-3	-3
Operating income	152	677	764
Financial income	2	2	3
Income before taxes	154	679	767
Taxes	-22	-187	-226
Income after taxes	132	482	541

*) Share in the SAS Group after subsidiaries' taxes.

Balance Sheet

(MNOK)	Sept. 30 1999	Sept. 30 1998	Dec. 31 1998
Machinery and equipment	2	2	2
Share in the SAS Group	4,461	4,489	4,290
Total fixed assets	4,4634	4,491	4,292
Short-term receivables	51	63	276
Cash and bank	-	-	1
Total current assets	51	63	277
TOTAL ASSETS	4,514	4,554	4,569
Shareholders' equity	4,025	4,014	3,852
Deferred tax	438	335	438
Short-term liabilities	51	205	279
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	4,514	4,554	4,569

SAS Sverige AB

SAS Sverige AB including 3/7 of the SAS Group reports income before taxes of MSEK 263 (1,088).

Available liquidity including short-term receivables for SAS Sverige AB amounted to MSEK 847 on September 30, compared with MSEK 970 at the beginning of the year.

Operations in SAS Sverige AB include 3/7 of the result of the SAS Group.

Beginning in 1998 and in order to increase the comparability of SAS Sverige AB with the other two parent companies, the statement of income and balance sheet have been based on 3/7 of the income and shareholders' equity in the SAS Group. Comparative figures for 1998 have been adjusted accordingly.

Regarding the forecast for the full year 1999 and matters concerning the year 2000, refer to information provided by SAS.

Stockholm, November 11, 1999

Jan Stenberg
President

Statement of Income

(MSEK)	Jan.-Sept. 1999	Jan.-Sept. 1998
Share of income in the SAS Group *)	245	1,057
Other operating expenses	-5	-4
Operating income	240	1,053
Net financial items	23	35
Income before taxes	263	1,088
Taxes	-38	-305
Income after taxes	225	783

*) Share in the SAS Group after subsidiaries' taxes.

Balance Sheet

(MSEK)	June 30 1999	Dec. 31 1998
Share in the SAS Group	7,068	6,903
Deferred tax receivable	73	73
Total fixed assets	7,141	6,976
Short-term receivables	871	1,383
Cash and bank	1	3
Total current assets	872	1,386
TOTAL ASSETS	8,013	8,362
Shareholders' equity	6,412	6,329
Deferred taxes	1,478	1,478
Other long-term liabilities	22	22
Short-term liabilities	1	533
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	8,013	8,362

Definitions

ASK, Available Seat Kilometers

The total number of seats available for transportation of passengers multiplied by the number of kilometers which these are flown.

AV, Asset Value

Total book value of assets plus surplus values in aircraft and net present value (NPV) of operating lease rental expense for aircraft, less noninterest-bearing liabilities and interest-bearing assets.

Cabin Factor

Relation between RPK and ASK expressed as a percentage. Describes the capacity utilization of available seats. Also called occupancy rate.

Cash Flow from Operations

Cash flow from operations before change in working capital.

CFROI

Cash flow return on investment. EBITDAR divided by AV.

Debt/Equity Ratio

Interest-bearing liabilities less interest-bearing assets in relation to shareholders' equity and minority interests.

Earnings per Share

Profit after taxes divided by the number of shares.

EBITDA

Earnings before interest, taxes, depreciation and capital gains.

EBITDAR

Earnings before interest, tax depreciation, amortization, operating lease rental expense and capital gains from sale of aircraft.

Equity Method

Shares in affiliated companies are taken up at SAS's share of shareholders' equity taking acquired surplus and deficit values into account.

Equity/Assets Ratio

Shareholders' equity plus deferred tax liability and minority interests in relation to total assets.

Gross Profit Margin

Operating income before depreciation, in relation to operating revenue.

Interest Coverage Ratio

Operating income plus financial income in relation to financial expenses.

Net Debt

Interest-bearing liabilities minus interest-bearing assets.

Return on Capital Employed (ROCE)

Operating income plus financial income in relation to average capital employed. Capital employed equals total assets as specified in the balance sheet less noninterest-bearing liabilities.

Return on Capital Employed (ROCE), Market-based

EBITR less the depreciation portion of the operating lease rental expense for aircraft plus change in surplus values (aircraft) divided by AV.

Return on Equity

Income after taxes in relation to average shareholders' equity. Tax on the earnings of the SAS Consortium and the SAS Commuter Consortium is calculated here using a standard tax rate of 29.7% (weighted average tax rate for Denmark, Norway and Sweden).

RPK, Revenue Passenger Kilometer

The number of paying passengers multiplied by the distance they are flown in kilometers.

Unit Cost

Airline operations' total operating expenses less non-traffic related income per weighted ASK/RPK.

Unit Revenue

Average amount of revenue received per RPK.

Yield

See Unit revenue.

Financial Calendar

Year-end Report 1999	February 17, 2000
Annual Report 1999	March 2000
Environmental Report 1999	March 2000

SAS's monthly traffic and capacity statistics are published on the sixth working day of each month.

All reports are available in English, Danish, Norwegian and Swedish and can be ordered from SAS, SE-195 87 Stockholm, telephone +46 8 797 00 00, fax +46 8 797 15 15.

The reports are also available and can be ordered on the Internet:

www.scandinavian.net

e-mail: investor.relations@sas.se



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